

Message Text

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46

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03 H-02

INT-05 /083 W

----- 112019

R 181015Z JUL 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 0028

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E.O. 11652: N/A

TAGS: EFIN, EINV, IN

SUBJ: HINDALCO

REF: STATE 167426

1. A VARIETY OF CONSIDERATIONS LED TO THE EMBASSY POSITION OUTLINED IN NEW DELHI 9108. WITHOUT ATTEMPTING TO LIST THEM IN ORDER OF PRIORITY THESE CONSIDERATIONS ARE:

A. IN GENERAL, USG CEASED IN 1971 TO EXERCISE A BANKING FUNCTION IN INDIA. WE DO NOT BELIEVE IT IS APPROPRIATE, EXCEPT UNDER THE MOST UNUSUAL CIRCUMSTANCES, FOR US TO RESUME THIS ROLE WHICH DOES NOT FIT IN WITH THE OVERALL US-INDIAN RELATIONSHIP.

B. INFORMAL DISCUSSIONS WITH THE GOI INDICATED THAT THE GOI DOES NOT WISH US TO RESUME ISSUING LOANS UNDER ANY CIRCUMSTANCES AND SPECIFICALLY DOES NOT WISH US TO MAKE RUPEE LOANS TO HINDALCO. THE GOI WOULD BE QUITE CORRECT IN STATING THAT THERE ARE ADEQUATE FINANCIAL INSTITUTIONS, INCLUDING FOREIGN BANKS, WHO HAVE THE FINANCIAL CAPABILITY TO MAKE LOANS TO HINDALCO. A USG LOAN WOULD CONSTITUTE UNNECESSARY COMPETITION WITH THESE INSTITUTIONS. THE GOI'S DECISION ON JULY 15 TO PERMIT ALUMINUM PRICE INCREASES MAY

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EASE HINDALCO'S POSITION AND FACILITATE COMMERCIAL BORROWING FROM

LOCAL SOURCES.

C. USG ALREADY HAS A LARGE FINANCIAL EXPOSURE WITH RESPECT TO THE BIRLA GROUP. FURTHER EXPOSURE NEITHER APPEARS NECESSARY NOR DESIRABLE.

D. UNDER PRESENT CIRCUMSTANCES, UNTIL A VARIETY OF US-INDIAN PROBLEMS ARE SORTED OUT, A USG LOAN, EVEN TO THE PRIVATE INDIAN SECTOR, COULD BE INTERPRETED TO BE MUCH MORE POLITICALLY SIGNIFICANT THAN IT WOULD BE. WE WOULD PREFER TO SEE INDO-US RELATIONS DEVELOP FURTHER BEFORE WE REVIEW THE QUESTION OF RESUMPTION OF LOAN ACTIVITIES.

2. FINALLY, WE APPRECIATE THAT THE HINDALCO PROJECT HAS POTENTIAL EXPORT SIGNIFICANCE. HOWEVER, WE DOUBT THAT USG FAILURE TO PROVIDE RUPEE FINANCING WILL BE CRUCIAL IN THIS EXPORT SALE.
SAXBE

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Message Attributes

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